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September 16, 1986

NATIONAL SECURITY STUDY
DIRECTIVE NO. 2-86

SOVIET INITIATIVES IN INTERNATIONAL ECONOMIC AFFAIRS (S)

Introduction

This National Security Study Directive establishes the Terms of Reference for completing a review of recent initiatives undertaken by the Soviet Union in the area of international economic affairs. The Study will be coordinated by the National Security Council Staff. (S)

Objective of the Review

To assess the significance of greater Soviet interest in global economic institutions and affairs; to develop U.S. policy on appropriate response to new Soviet initiatives in international economic affairs; and to begin preparation of U.S. positions on economic issues for the next meeting between President Reagan and General Secretary Gorbachev. (S)

Scope

The review will address the following topics: (S)

First Stage: To be completed by October 1, 1986.

-- Soviet Interest in International Economic Affairs: Full review of information relating to recent Soviet interest in international economic issues, including but not limited to assessments of the significance of: (S)

o The reorganization of the Soviet Ministry of Foreign Affairs ("MFA") to include a new Administration for International Economic Relations. (S)

o The application of the Soviet Union to participate in the new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade. (S)

o Suggestions that the Soviet Union is interested in joining the IMF/IBRD. (S)

o In the financial sector, settlement with the UK on defaulted Czarist bonds and first time Soviet participation in a Eurobond syndication. (S)

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o Increased volume and sophistication in Soviet international financial market transactions. (S)

o Soviet "International Economic Security Initiative", which will presumably be tabled at the UNGA. (S)

o Soviet motives for encouraging EC-CEMA talks. (S)

o Soviet expressions of interest in joint ventures, possibly involving western firms management and significant western on-site participation. (S)

-- Past History: The following will be helpful in preparing for discussions with the Soviets on their participation in international economic institutions: (S)

o Summary review of Soviet official comment on existing international institutions (GATT, IMF/IBRD, etc.) to which they have applied or may apply for admission. Review should focus on Soviet comments at time of creation of those institutions and in the past ten years. (S)

o Summary reports of past Soviet participation in specialized international institutions, e.g., UNCTAD, UNESCO, ILO, WHO, FAO, ICAO. Which have they "politicized"? To which have they made a positive contribution? What have been their substantive positions on economic issues in these fora? (S)

-- Forecast: An assessment of what future initiatives in the international economic field the USSR might undertake and what other international and financial institutions to which they might apply. (S)

Second Stage

-- Analysis: An assessment of the potential significance to the international economic system of the recent Soviet interest in participating in major international economic institutions: (S)

(1) What has driven the new Soviet interest? (S)

(2) What changes have taken place in Soviet domestic and international economic policy? (S)

(3) What changes are under consideration? (S)

(4) How compatible is Soviet participation to the

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functioning of the major international economic institutions? (S)

(5) What are the general implications for the international economic system of Soviet participation? (S)

(6) What are the specific implications for United States' national security? (S)

(7) What are the pros and cons of possible U.S. policy responses to these expressions of Soviet interest? (S)

A paper covering these topics should be prepared under the direction of the National Security Council, and completed no later than October 15, 1986. (S)

Ronald Reagan

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